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SB-575 Long-term care insurance. (2015-2016)

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Senate Bill No. 575

CHAPTER 544

An act to add Section 10235.36 to the Insurance Code, relating to insurance.

[Approved by Governor October 06, 2015. Filed with Secretary of State October 06, 2015.]

LEGISLATIVE COUNSEL'S DIGEST

SB 575, Liu. Long-term care insurance.

Existing law provides for the regulation of long-term care insurance by the Insurance Commissioner. Existing law prohibits an insurer from delivering or issuing for delivery a long-term care policy unless the insurer offers at the time of application an option to purchase a shortened benefit period nonforfeiture benefit. Under existing law, the commissioner may require the administration by an insurer of the contingent benefit upon lapse as a condition of approval or acknowledgment of a rate adjustment for a block of business for which the contingent benefit upon lapse is not otherwise available. Under existing law, the insurer is required to notify policyholders and certificate holders of the contingent benefit upon lapse when required by the commissioner, as specified.

This bill, when a shortened benefit period nonforfeiture benefit or contingent benefit upon lapse is conferred, would require the insurer to annually notify the policyholder or certificate holder and, if elected, at least one individual designated by the policyholder or certificate holder of (a) the availability of the shortened benefit period nonforfeiture benefit or contingent benefit upon lapse, (b) the dollar amount of the shortened benefit period nonforfeiture benefit or contingent benefit upon lapse calculated up to 60 days prior to the date of the annual notice, and (c) the name, address, and telephone number of the insurer for questions about the benefit. The bill would also require the insurer to mail to and receive from each policyholder or certificate holder a form that allows the policyholder or certificate holder to submit one of the following: (1) a written designation of the name, address, and telephone number of at least one person, in addition to the policyholder or certificate holder who is to receive the annual notice described above, (2) a confirmation that the policyholder or certificate holder designates the same person previously designated to receive that notice, or (3) a waiver signed and dated by the policyholder or certificate holder electing not to designate additional persons to receive the annual notice.

Vote: majority Appropriation: no Fiscal Committee: no Local Program: no

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Section 10235.36 is added to the Insurance Code, to read:

10235.36. (a) When a shortened benefit period nonforfeiture benefit, as described in Section 10235.30, or a contingent benefit upon lapse, as described in Section 10235.35, is conferred, the insurer shall mail to and receive from each policyholder or certificate holder an election form which allows the policyholder or certificate holder to elect one of the following:

(1) A written designation listing the name, address, and telephone number of at least one individual, in addition to the policyholder or certificate holder, who is to receive the annual notice as described in subdivision (c).

(2) A confirmation that the policyholder or certificate holder designates the same person previously designated in Section 10235.40 to receive the annual notice as described in subdivision (c).

(3) A waiver signed and dated by the policyholder or certificate holder electing not to designate additional persons to receive the annual notice as described in subdivision (c). The required waiver shall read as follows:

"I understand that I have the right to designate at least one person other than myself to receive annual notification related to the benefit retained under this long-term care insurance policy. I elect not to designate any person other than myself to receive the notice.

Signature of Policyholder or Certificate Holder Date"

(b) The insurer shall notify all holders of a shortened benefit period nonforfeiture benefit or a contingent benefit upon lapse at the time of the annual notice as described in subdivision (c), of the right to change the election described in subdivision (a).

(c) At the time a shortened benefit period nonforfeiture benefit or contingent benefit upon lapse is conferred and annually thereafter the insurer shall notify all holders of the benefit and, if elected, at least one individual designated pursuant to paragraph (1) or (2) of subdivision (a) by first-class United States mail, postage prepaid, of all of the following:

(1) The availability of the shortened benefit period nonforfeiture benefit or contingent benefit upon lapse.

(2) The dollar amount of the shortened benefit period nonforfeiture benefit or contingent benefit upon lapse calculated up to 60 days prior to the date of the annual notice. The notice shall state that the amount may have been reduced if benefits were paid in the period subsequent to the date on which that amount was calculated.

(3) The name, address, and telephone number of the insurer for questions about the shortened benefit period nonforfeiture benefit or contingent benefit upon lapse.

(d) For individuals who hold contingent benefits upon lapse as of the effective date of this section, the insurer shall send the election form required in subdivision (a) by July 1, 2016.

(e) If, upon proper mailing by the insurer, the policyholder or certificate holder fails to return the election form described in subdivision (a) within 90 days, the failure will be deemed a waiver as provided in paragraph (3) of subdivision (a).